

103 KAR 8:140. Ad valorem taxation of machinery actually used in the manufacturing of crushed stone, sand, and gravel.

RELATES TO: KRS 132.020, 132.200

STATUTORY AUTHORITY: KRS 131.130(1)

NECESSITY, FUNCTION AND CONFORMITY: KRS 131.130(1) authorizes the Department of Revenue to promulgate administrative regulations necessary for the administration and enforcement of all tax laws in Kentucky KRS 132.020(1)(i) establishes the ad valorem tax rate based on the value of all machinery actually engaged in manufacturing. KRS 132.200(4) provides that machinery actually engaged in manufacturing shall be subject to taxation for state purposes only. This administrative regulation explains the property tax classification found in KRS 132.020(1) and 132.200(4) for "machinery actually engaged in manufacturing" as it pertains to the crushed stone, sand, and gravel industries.

Section 1. Machinery Actually Engaged In Manufacturing. For purposes of this administrative regulation, KRS 132.020(1) and 132.200(4), "machinery actually engaged in manufacturing" includes the following:

- (1) Machinery actually used in the conveying, crushing, screening, washing, drying, blending, and stockpiling of stone, sand, or gravel to a product of the appropriate gradation and specification required for sale or final use;
- (2) Machinery and equipment actually used to size, crush, screen, blend, de-dust or wash the stone, sand, or gravel, including all necessary housing, electrical, and support systems;
- (3) Machinery and equipment actually used to convey or maintain proper material flow of the stone, sand, or gravel to and between the crushing, sizing, screening, blending, dedusting, and washing facilities; or
- (4) Machinery and equipment actually used to reassemble, remix, and blend the crushed stone, sand, or gravel into different product grades.

Section 2. Manufacturing of Crushed Stone, Sand, or Gravel. (1) Manufacturing of crushed stone, sand, and gravel shall commence with the initial sizing of the stone (shot rock), sand, or gravel after it has been removed from its natural deposit, and shall continue with the loading, hauling, pumping, or conveying to the primary crusher or screen.

(2) Manufacturing shall continue with the further sizing, classifying, crushing, screening, blending, dedusting, and washing of the stone, sand, or gravel.

(3) Manufacturing of stone, sand, or gravel shall end when the product meets and maintains the appropriate gradation, specifications, or blends.

(4) The loading of stone, sand, or gravel for final transport to the end user shall only be classified as manufacturing if blending occurs during the loading process. (34 Ky.R. 374; Am. 967; eff. 12-7-2007.)